

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL GENOA

AMCONSUL FLORENCE

AMCONSUL TURIN

AMCONSUL TRIESTE

AMCONSUL PALERMO

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: AN ABBREVIATED MEDIUM TERM PLAN APPROVED BY CABINET

REF: (A) ROME 16856 (B) ROME 179096

1. SUMMARY. ON DECEMBER 23 CABINET APPROVED REVISED
VERSION OF INDUSTRIAL RECONSTRUCTION PART OF EARLIER
MEDIUM TERM PLAN. DRAFT LAW (NEEDING PARLIAMENTARY
APPROVAL) WOULD (1) ESTABLISH NEW COORDINATING COMMITTEE
FOR INDUSTRIAL POLICY, (2) CREATE NEW INDUSTRIAL
RESTRUCTURING, RECONVERSION AND DEVELOPMENT FUND, (3)
APPROPRIATE FUNDS FOR INDUSTRIAL PLAN AND (4) PROVIDE
SPECIAL INCOME MAINTENANCE FOR WORKERS AFFECTED
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BY INDUSTRIAL RESTRUCTURING. TWO OF THREE LABOR

FEDERATIONS AND SOCIALIST PARTY HAVE BEEN SHARPLY CRITICAL OF PLAN AND LATTER MAY USE ITS OPPOSITION AS OCCASION FOR PROVOKING GOVERNMENT CRISIS. END SUMMARY.

2. ITALIAN CABINET APPROVED ON DECEMBER 23, 1975 ABBREVIATED VERSION OF MEDIUM-TERM ECONOMIC PLAN WHICH ELABORATES PROPOSED GOVERNMENTAL ASSISTANCE IN INDUSTRIAL RESTRUCTURING AND RECONVERSION. FOLLOWING OUTLINE HAS BEEN CULLED FROM NEWS REPORTS, INCLUDING DRAFT TEXT OF LAW.

3. PRIORITY INVESTMENT PROVISIONS IN CERTAIN SECTORS (CONSTRUCTION, EXPORTS, AGRICULTURE, TRANSPORT) CONTAINED IN THE PREVIOUS VERSIONS OF MEDIUM-TERM PLAN WHICH, WERE LARGELY DUPLICATIVE OF ANTI-RECESSION PACKAGE OF AUGUST, HAVE BEEN PRUNED FROM VERSION APPROVED BY CABINET. DEPUTY PRIME MINISTER LA MALFA IN DECEMBER 30 NEWS CONFERENCE HAS EMPHASIZED THAT, WHILE THESE LATTER MEASURES ARE STILL NEEDED, CURRENT RECESSION HAS GIVEN GREATER URGENCY TO NEED FOR INDUSTRIAL RESTRUCTURING AND RECONVERSION AS A FIRST PRIORITY, AND FOR A GREATER DEGREE OF COORDINATION OF INDUSTRIAL POLICY BETWEEN MINISTRIES OF INDUSTRIES, STATE PARTICIPATIONS AND MEZZOGIORNO.

4. INDUSTRIAL POLICY COORDINATION MECHANISM. ONE OF MAJOR PROVISIONS OF PROPOSED LAW (WHICH MUST STILL BE APPROVED BY PARLIAMENT) WOULD ESTABLISH NEW INTERMINISTERIAL COMMITTEE FOR COORDINATION OF INDUSTRIAL POLICY (CIPI), IN WHICH WOULD PARTICIPATE MINISTERS OF BUDGET AND PLANNING (CHAIRING), TREASURY, INDUSTRY, COMMERCE, STATE PARTICIPATIONS, LABOR AND MEZZOGIORNO. CIPI WOULD HAVE RESPONSIBILITY OF COORDINATING ALL GOVERNMENT INVOLVEMENT IN INDUSTRIAL SECTOR.

5. NEW CIPI, AS SUBCOMMITTEE OF INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING (CIPE) WOULD CONCENTRATE IN ONE BODY RESPONSIBILITY FOR COORDINATION OF ALL INDUSTRIAL POLICY, INCLUDING INDUSTRIAL POLICY FOR MEZZOGIORNO, STATE PARTICIPATIONS, AND INDUSTRIAL RESEARCH. CIPI WOULD ALSO BE RESPONSIBLE FOR DIRECTOR LIMITED OFFICIAL USE

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OF, AND MAJOR DECISIONS REGARDING NEW RESTRUCTURING FUND WHICH WOULD BE AUTHORIZED UNDER PROPOSED LAW.

6. THIS RESTRUCTURING FUND WOULD BE ADMINISTERED BY MINISTER FOR INDUSTRY, WHILE CIPI ITSELF, WOULD HAVE TO AUTHORIZE ANY ASSISTANCE FOR RESTRUCTURING PLANS WHICH EXCEEDED 7 BILLION LIRE. MINISTER OF INDUSTRY WOULD BE RESPONSIBLE FOR AUTHORIZATIONS IN CASES IN-

VOLVING LESS THAN THIS SUM. SPECIAL CREDIT INSTITUTES WOULD PLAY IMPORTANT ROLE IN PROCESSING OF APPLICATIONS FOR ASSISTANCE.

7. INDUSTRIAL RESTRUCTURING -- ASSISTANCE TO INDUSTRY FOR RESTRUCTURING, RECONVERSION AND DEVELOPMENT WOULD BE PROVIDED THROUGH: (A) NEW RESTRUCTURING FUND INITIALLY ENDOWED WITH 1,820 BILLION LIRE WHICH WOULD HAVE LIFE OF THREE YEARS (1976-78), (B) INDUSTRIAL RESEARCH FUNDS OF 600 BILLION LIRE, (C) NEW CAPITAL ENDOWMENT FUNDS FOR STATE HOLDING COMPANIES OF 4,000 BILLION FOR PERIOD OF 1976-80, AND (D) ADDITIONAL FINANCING FOR SMALL AND MEDIUM INDUSTRY OF 270 BILLION IN PERIOD 1977-78 UNDE LAW 623. NEW RESTRUCTURING FUND WOULD BE USED TO: (A) PROVIDE CAPITAL CONTRIBUTIONS TO FIRMS IN FORM OF DIRECT LOANS WITH MATURITIES OF UP TO 15 YEARS AND LOW INTEREST RATES FOR UP TO 30 PERCENT OF COST OF INVESTMENT, AND (B) SUBSIDIZE INTEREST RATES ON LOANS FROM SPECIAL CREDIT INSTITUTES FOR UP TO A FURTHER 30 PERCENT OF INVESTMENT COSTS. IF FIRM IS ABLE TO AUGMENT ITS RISK CAPITAL, FUND MAY ALSO BE USED TO PROVIDE ASSISTANCE OF ADDITIONAL 10 PERCENT OF COST OF INVESTMENT, I.E. UP TO A COMBINED (DIRECT LOANS PLUS INTEREST SUBSIDIES) TOTAL OF 70 PERCENT OF INVESTMENT COSTS.

8. CONTRIBUTIONS FOR INDUSTRIAL RESEARCH PROJECTS CAN BE GRANTED BY CIPI FOR UP TO 50 PERCENT OF ESTIMATED COST OF RESEARCH PROJECT. PART OF FUNDS (400 BILLION) WILL BE ALLOCATED TO NEW FUND WHILE REMAINDER (200 BILLION) WOULD BE APPROPRIATED FOR IMI.

9. LABOR DISPLACEMENT -- SUPPORT OF WORKERS OF BUSINESSES IN PROCESS OF RESTRUCTURING WILL FUNCTION ALONG FOLLOWING LIMITED OFFICIAL USE

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LINES. WAGE SUPPLEMENT FUND (CASSA D'INTEGRAZIONE) WILL PROVIDE ASSISTANCE TO WORKERS TEMPORARILY SUSPENDED OR PLACED ON SHORT TIME FOR UP TO 18 MONTHS AT APPROXIMATELY 80 PERCENT OF FULL SALARY). SHOULD FORMAL SEVERANCE OF EMPLOYEE TAKE PLACE, WORKERS WOULD BE GUARANTEED UNEMPLOYMENT INDEMNITY (OF APPROXIMATELY 80 PERCENT OF THEIR SALARY) FOR UP TO 36 MONTHS. THUS, BETWEEN TWO PROVISIONS, PERSONAL INCOME COULD BE ASSURED FOR AS LONG AS FOUR AND ONE-HALF YEARS. IN ADDITION, PLAN CONTEMPLATES WORKER TRAINING PROGRAM FOR AFFECTED WORKERS.

10. OBJECTIONS -- SPOKESMEN FOR TWO OF THREE MAJOR UNIONS (CGIL AND UIL HAVE REGISTERED VEHEMENT DISAPPROVAL OF INDUSTRIAL RECONVERSION PLAN AND DARKLY HINTED THAT GENERAL STRIKE MAY HAVE TO BE CALLED IN JANUARY TO PROTEST PLAN. THEIR PRIMARY OBJECTIONS ARE: (A) THAT LABOR

DISPLACEMENT PROVISIONS PROVIDE BUSINESSES WITH A "LICENSE FOR FIRING" AND (B) THAT THERE IS NO PROVISION FOR MAINTAINING JOBS IN RESTRUCTURED INDUSTRIES NOR FOR CREATING NEW JOBS. SOCIALIST PARTY (PSI), WHICH FROM FIRST HAS SAID LABOR OBJECTIVES MUST BE MET IN ORDER TO GAIN SOCIALIST SUPPORT FOR PROGRAM, NOW HAS GROUNDS TO REJECT PLAN AND USE IT AS THE MEANS OF PROVOKING GOVERNMENT CRISIS.

COMMENT:

11. APPROVAL BY CABINET OF MEDIUM-TERM PLAN IN TRUNCATED FORM REFLECTS TWO MAIN FACTS: FIRST, THAT THIS PART OF MEDIUM-TERM PLAN IS MOST URGENT AND, SECOND, THAT APPROVAL OF BROADER PLAN WOULD HAVE FACED EVEN GREATER CRITICISM INSIDE AND OUTSIDE PARLIAMENT. MSTRONG OPA 09 8589,, PARTICULARLY FROM PSI SEEMS TO BE ALMOST EXCLUSIVELY POLITICALLY-MOTIVATED. ON ONE HAND, SOCIALISTS OBJECT TO "LAME DUCK" GOVERNMENT'S DARING TO MOVE FORWARD ON IMPORTANT MEDIUM-TERM ECONOMIC POLICY QUESTION. ON OTHER HAND, THEY HAVE SHARPLY CRITICIZED PLAN AS BEING INCUSFICIENTLY PRICISE AND COMPREHENSIVE TO ACHIEVE ITS PURPOSE.

12. PLAN IS TO BE PRESENTED TO PARLIAMENT ON JANUARY 2. BOTH DC AND REPUBLICAN PARTIES HAVE STATED THEIR WILLINGNESS TO ENTERTAIN PROPOSALS FOR AMENDMENT OF PLAN AND PCI LIMITED OFFICIAL USE

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HAS INDICATED THAT IT IS PLANNING TO MAKE SUCH PROPOSALS. HOWEVER, PROSPECTS FOR PASSAGE OF DRAFT LAW EVEN IF AMENDED ARE HIGHLY DOUBTFUL. PSI IS PARTICULARLY IRATE, CLAIMING THAT IT HAS NOT BEEN ADEQUATELY CONSULTED DURING PREPARATION OF PLAN, EVEN THOUGH IT IS A MEMBER OF GOVERNMENT MAJORITY, AT SAME TIME THAT IT ALLEGES THAT DC IS IMPLICITLY COUNTING ON SUPPORT OF OPPOSITION PARTY IN PARLIAMENT (PCI) TO ASSURE EVENTUAL PASSAGE OF PLAN. PSI MAY WELL CONSIDER THIS ANAMOLY SUFFICIENT REASON TO BRING DOWN GOVERNMENT (SEE SEPTTEL).VOLPE

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